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The future of remittances in Latin America: Digitalization, multiple rails, and the strategic role of partnerships

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Contents

Foreword from Mastercard

While we have seen big strides in the digitalization of almost every aspect of our lives throughout the last few years, one segment of payments has not yet taken full advantage of the benefits that today's technology can bring. Remittances—also referred to as cross-border payments—are a payments sector that has a more profound impact on people's financial lives than any other area of financial services. In fact, the United Nations' Sustainable Development Goals (SDGs) identify remittances as a lifeline for families and communities.

When we hear stories about the impact that remittances have on peoples' lives in LAC, we see that it is more than just the currency value that is being sent home. As a critical source of income for local households, remittances help to alleviate poverty by paying for basic expenses, building financial resilience against economic shocks, and providing an immense opportunity to strengthen financial inclusion in the region. However, despite the positive impact that remittances have on the financial health of individuals and local economies, users still face substantial inefficiencies when remitting money, such as high fees and costs, a lack of trust and security, a limited number of traditional players, and a poor digital experience, just to name a few.

As the remittances landscape increasingly experiences a shift toward digital and mobile channels, Mastercard is using its industry expertise to leverage new opportunities and meet the challenges that ecosystem players must now navigate. Through its partnerships, Mastercard is already powering innovation in this space by enabling unbanked recipients to receive a digital remittance via a virtual Mastercard card that is issued instantly—without the need for a traditional bank account. That said, there is still more work to be done and it is imperative to work collectively to reduce user friction and costs.

What is most exciting is that we're standing at the threshold of a new model, ready to power new financial tools within a historically slow and paper-bound category of transactions. As we develop products and solutions for an era defined by a growing digital-first society, we're reflecting that same ease onto all kinds of transactions. Whether it's a family member sending money to loved ones back home, a small business paying international suppliers, or a company sending compensation to offsite workers around the world, our capabilities and partnerships in remittances and disbursements alone put 90% of the world's population within our reach.

Moving forward, everything will only get faster. Mastercard is expanding its digital capabilities in new ways to help the remittances industry reach its full potential in the digital economy while ensuring that the highest levels of security, convenience, and choice remain. Using the trends and pain points highlighted in this whitepaper, we are excited to partner with fellow innovators and continue driving payment choice and peace of mind.

Introduction

The key role of remittances and digitalization

In an increasingly globalized world, money is becoming borderless. As a result of increased digitalization, geopolitical challenges, the refugee and migrant crises, a global pandemic, and foreign corporate expansion, formal international remittances[1] have increased steadily worldwide, rising at a 4% CAGR over the last decade. According to the World Bank,[2] at a global level, formal inbound remittances totaled over US$831 billion in 2022. In Latin America, such remittances reached US$146 billion in 2022, which amounts to 25X growth over the past 30 years and more than double the amount sent a decade ago.

Remittances are a lifeline to people in low- and middle-income nations, serving as an essential source of income for individuals, households, and countries. According to the United Nations,[3] 800 million people worldwide (or about 1 out 10) live in households that receive international remittances. This money can then be invested in financial and tangible assets, such as savings, or be used to develop small businesses that help families build their futures.

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These realities are alive and well in Latin America. The U.S.–Mexico corridor is the single largest remittance pipeline in the world, with a 2022 volume of US$56 billion (see Figure 2 on p. 11). Beyond market volume, for impoverished countries, remittances can represent more than 30% of their national GDPs (as in the case of Honduras). In South America, inflation and political instability are drivers of migration and remittances flows, which often utilize fintech and blockchain rails to avoid the problems that arise when using the traditional system.

Evidence shows the direct impact of remittances on financial inclusion in the region and globally. Remittances help to alleviate poverty by providing a critical source of income to households to pay for basic expenses. Remittances also play a critical role in building financial resilience to economic shocks and crises and can provide a household's first interaction with electronic money transfers, banks, and other financial institutions. Evidence from the United Nations shows that remittances impact 8 out of 17 sustainable development goals, including the first five: (1) poverty alleviation; (2) ability to pay for food; (3) shelter; (4) education; and (5) empowering female heads of household.

FIGURE 1

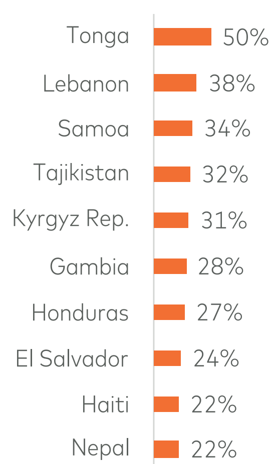
Top recipients of remittances among low- and middle-income countries (2022)

US$831 bn
WORLD

US$647 bn
LOWER & MIDDLE-INCOME COUNTRIES

By total amount, bn

As a share of GDP



82%
of total outbound remittances are sent from high-income economies

78%
of total inbound remittances are received by lower- and middle-income economies

800M
or about 1 out 10 people live in households receiving international remittances globally

3X
Total remittances are 3 times higher than development assistance and foreign direct investment in low- and middle-income countries

30%
of children worldwide have at least one parent who works and lives away from home in another country

6.3%
The average cost of sending remittances in 2022; this is far from the 3% target set by the U.N. (which could deliver US$20 bn savings per year for the receiving households)

Sources: KNOMAD/World Bank and United Nations Network on Migration

As of the date of issuance of this report, the World Bank has published its preliminary estimates for 2023. For instance, that preliminary data projects an 8% growth for Latin America and the Caribbean with a value of $156 billion dollars. For methodological robustness our analysis will be carried out with official 2022 data.[4]

Despite the massive volume and positive impact of remittances, users still face substantial challenges that hinder their full access to formal remittances channels. These are related to inefficiencies, high fees and costs, the role of cash, the lack of trust and security, the limited number of traditional players, poor digital UX, and old-fashioned processes, among others.

For individuals without a bank account who live far away from physical remittances agencies or who lack formal identification, sending money through official channels can prove to be impossible, and the situation is similar on the receiving end. Uncertainty related to money transfer delays and security (fear of fraud and theft) causes additional primary challenges.

The prevalence of cash in the transfers of remittances not only diminishes the final amount received by recipients but also prompts users to resort to informal channels.

Cost, either related to fees or an unfavorable exchange rate, is often the primary barrier identified by consumers.[5] The cost of sending money internationally is consistently high. On average, remitting from countries in the most expensive corridors costs 25.2%—compared to 3.4% for the least expensive corridors.[6] In 2022, the average cost of sending remittances was 6.3%, more than 3 percentage points above the 3% target established by the United Nations.[7] By reducing the average cost from today's 6.3% to the 3% goal, remittances recipients would save an additional US$20 billion annually.

According to the Remittance Prices Worldwide database, the cost of sending remittances to Latin America averaged 5.8% in 2023.[8] However, costs have remained at the same level as in 2015 and also remain much higher in the smaller remittances corridors, well above the 3% goal of the U.N.

The prevalence of cash, related to operating brick-and-mortar agent networks, is a large contributor to the cost of remittances. As we will see in this report, today cash represents nearly 50% of formal global remittances, or US$412 billion.[9]

The prevalence of cash in the transfers of remittances not only diminishes the final amount received by recipients, but also prompts users to resort to informal channels, including unlicensed money transfer operators, travel agencies offering sideline services, and local traders or bus drivers, who often form complex—and dangerous—cross-border networks. The World Bank believes these unrecorded flows through informal channels to be at least 50% larger than recorded flows.[10]

Digital remittances, on the other hand, provide several benefits, including better UX and access to other services (e.g., cross-border bill-pay remittances). Overall, they have proven to significantly reduce the cost and improve the security of sending money globally. By increasing the penetration of digital remitting, the industry may achieve significant reductions in costs, which tend to be highest in the poorest regions of the world.[11]

Because of this, it is imperative to digitize remittances in order to ensure the financial and digital inclusion of all migrants and their families. Beyond lowering costs, digital remittances may also improve access and boost security, key elements required to guarantee faster, safer, and cheaper remittances[12] for citizens around the world.

As we´ll see in this report, while digital remittances have made great progress in the last decade, there is still an immense amount of work to be done, including in Latin America, which finds itself below global penetration levels in terms of digital remittances.

While digital remittances have made great progress in the last decade, there is still an immense amount of work to be done, including in Latin America, which finds itself below global penetration levels in terms of digital remittances.

For example, while remittances overall in Latin America have grown faster than those at the global level (10% annually since 2014 compared to 4% globally), digital remittances in Latin America have grown at 23% annually, slightly below the global growth rate of 25%. Moreover, digital remittances in Latin America have only a 43% share of the total remittances market, which is nearly 10 percentage points behind the global average of 52%[13] (see Figure 3). In addition, there are important differences between countries when it comes to digital remittances. In Mexico, Central America and the Caribbean, market share for digital remittances is around 30%, whereas in Brazil, Colombia, and Chile, their market share is over 50%.

In addition to this, emerging technology trends are poised to accelerate the growth of digital remittances even further. These include new rails for international money movement and digital players and partnerships in the ecosystem, along with other emerging trends that are shaping the present and future of remittances.

These trends not only bring new opportunities to the historical landscape of remittances, but also new challenges that ecosystem players must now navigate to push the industry forward. Beyond the benefits to consumers, understanding and taking advantage of these trends—as we will show in this report—may provide significant financial benefits to remittances sector players.

Objective, scope, and methodology

In this report, Mastercard's aim is to illuminate the lessons and opportunities in the remittances industry around the world and how they relate specifically to Latin America. Our objective is to map industry changes and emerging trends, understand the historical and novel challenges in the industry, and identify opportunities for financial institutions, Money Transfer Operators (MTOs), technological enablers, and fintechs to help the remittances industry reach its full potential.

Mastercard partnered with PCMI, a payments industry market intelligence firm, to assess remittances in Latin America. The countries included in this study were Mexico, specific markets in Central America (El Salvador, Guatemala, and Honduras), Brazil, Argentina, and Colombia, against a broader global context.

This research took place between October and December 2023, and consisted of a review of data from public sources, as well as in-depth interviews of experts from nine separate companies, including banks, traditional and digital-only money transfer operators (MTOs), retailers, and technological enablers. Our team also interviewed leaders from three strategic representatives of Mastercard, including Arcus.

Companies interviewed

PAYSEND · mercado pago · FéliX · Walmart · BAC CREDOMATIC · intermex INTERNATIONAL MONEY EXPRESS · MoneyGram · Mastercard · arcus · Remitee Business · loopfinancial

Remittances and global trends: What's going on in the world?

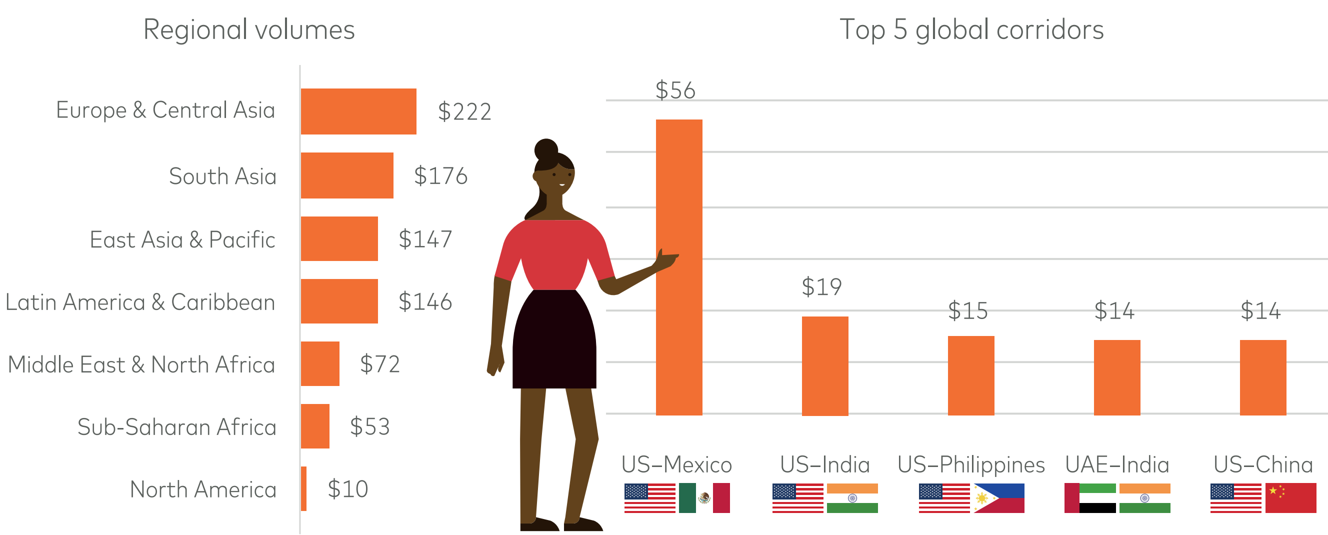
In 2023, global digital remittances' market share exceeded 50% for the first time in history

The flows and volumes of remittances are influenced by two key features: (1) migration—spurred on by economic factors, war and violence, and natural disasters—and (2) economic conditions in sender markets, including the labor force, currency strength, etc. While regional anomalies appear occasionally (for example, the war in Ukraine caused a spike in flows to Russia and Eastern Europe over the past two years), in general these macro factors create predictable patterns. The traditional flows of migrants from low-income to high-income countries dominate the remittances landscape, with the top receiver markets and corridors remaining stable over the past decade.

Due to sheer population, Asian markets represent 66% of global remittance inflows.[14] India, China, and Philippines also represent three of the world's top five remittances corridors. Even though Latin America as a whole only represents 18% of the remittances that are received worldwide, the U.S.-Mexico corridor is by an extreme measure the largest global corridor, totaling an estimated US$56 billion in 2022. Mexico receives 96% of its remittances from the United States, and despite the global challenges (pandemic, inflation, etc.) this percentage continues to grow.

FIGURE 2

Top recipients of inbound remittances, volume in U.S. billions (2022)



Sources: KNOMAD, The Federal Reserve

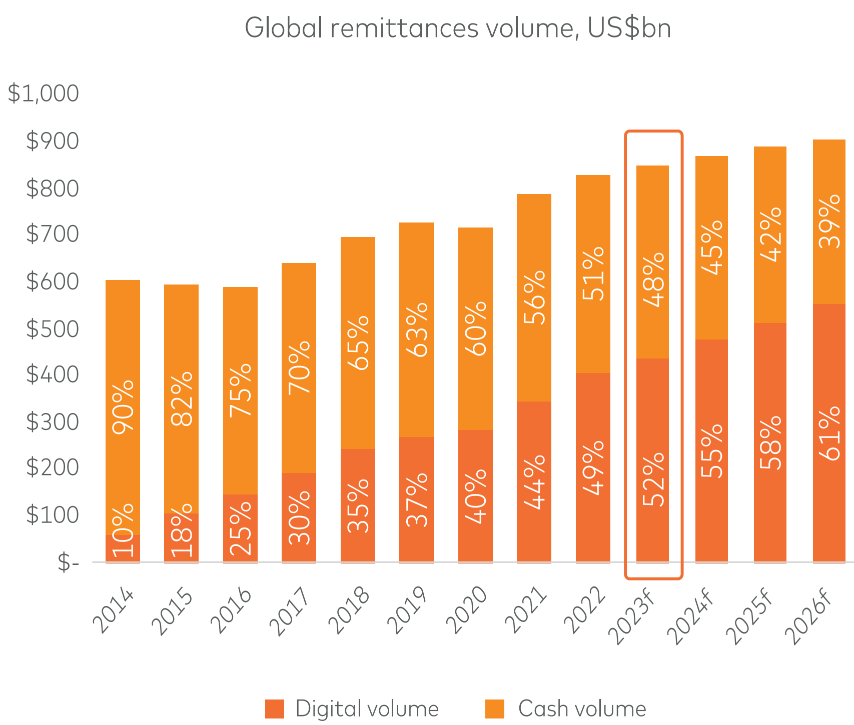
While the geographic mix of remittances has not changed, how money is sent and received has. Most remittance senders and receivers are low income, with limited access to technology, banking, and digital know-how, a circumstance that drives the industry's cash-based nature. But this has changed dramatically over the past decade, thanks to technology, fintech growth, and global digitalization. After several years of accelerated digitalization, consumers in Latin America have a high mobile penetration, greater access to internet, and a decrease in the number of people that are unbanked and underbanked.

In 2023, global digital remittances exceeded 50% of total market share for the first time in history, translating into US$439 billion in volume.

When we analyze remittances transactions in terms of the components of funding and push aspects, the predominance of cash is in push aspects. In 2014, only 10% of remittances were sent digitally—that is, using a digital payment method such as online banking, a digital wallet, or credit or debit card—as opposed to cash at a retail location. Total remittances volume has climbed conservatively, at a 4% CAGR since 2014, but digital remittances have seen stellar growth of 25% annually in the same period. This transformation cannot be underestimated: in 2023, global digital remittances exceeded 50% of total market share for the first time in history, translating into US$439 billion in volume. According to PCMI estimates, by 2026, the global market share of digital remittances will reach 61% (over US$550 billion), growing by 8% annually from 2022 to 2026.

FIGURE 3

Global inbound remittances: Digital v. cash-based (past, present, and forecasted through 2026)



US$850 bn
Total 2023 volume of global remittances market

US$439 bn
Global digital remittances (estimated 2023 transaction volume)

US$412 bn
Global cash-based remittances (estimated 2023 transaction volume)

8% CAGR
Projected average growth rate for digital remittances (2022-2026)

Sources: PCMI estimates based on Business Insider Intelligence estimates, Juniper Research, EIU, and World Bank

f=forecasted

The growth of digital remittances has followed a macrodigitalization trend, in which greater swaths of the population have gained access to the internet, smartphones, digital accounts, and digital and financial education. More specifically, though, digital trends in remittances have led traditional providers, like MTOs and banks, to enable digitalization and they also ushered in new players, including fintechs, digital wallets, blockchain companies, and card networks. "One of the main reasons consumers are moving to digital is because of convenience. It is easier and faster for them.

They can send money anytime, from anywhere, using any device. So what we see is an organic migration for consumers that have preferred retail up to now," says Marcelo Theodoro, Chief Product, Digital & Marketing Officer at Intermex. However, as Neela Gaddis, VP of Product Management at Mastercard, points out, "Digitalization will not change users' needs, but it will change the rules of the game for players and provide chances to make remittances faster, cheaper, more transparent, and accessible for everyone."

In Table 1 below, PCMI highlights eight key digital remittances trends that have sparked this digital revolution and are continuing to transform the industry.

TABLE 1

Digital remittances trends and global examples

DIGITAL REMITTANCES TREND	GLOBAL EXAMPLES
1. Digital wallets are powering global money movement Domestic digital wallets are leveraging their customer base for international remittances and making cross-border transactions easier and more cost-effective, especially for economically vulnerable communities.	In Africa, wallets such as Eversend in Uganda and Nala in Tanzania are making it easier to send and receive money with multi-currency accounts and debit cards for international payments.
	GooglePay has been enabled to send money internationally to India and Singapore via an integration with Western Union and Wise.
	Warba Bank SiDi eWallet and Mastercard launched a cross-border remittances service to 30+ countries within Mastercard's network for Kuwait-based customers.
	Safaricom and TerraPay enable 32+ million M-PESA customers to send and receive money to 200+ million people across Bangladesh and Pakistan.
	Airtel Africa and Mastercard strengthened their partnership with the launch of a new remittances transfer service to benefit 100 million mobile phone users across the continent.

DIGITAL REMITTANCES TREND	GLOBAL EXAMPLES
2. Push-to-card: Card rails are powering wallets Send-to-card enables an alternative remittances and cross-border payments network. The service spans the card issuer's entire network, reaching as much as 90% of the global population, and in many regions can be delivered in real time.	Checkout.com and Mastercard Move now send to accounts, cards, wallets and cash out locations to power instant money transfers in APAC, starting in Australia, Hong Kong, and Singapore. Remitly has integrated Mastercard Move to provide U.S.-based customers more choice in how they send to accounts, cards, wallets and cash out locations and receive money abroad (additionally, it also involves bank account transfers via cross-border services as the primary rail).
3. Upgrading remittances requests The nature of remittances relationships is evolving, becoming more purposeful and flexible. For example, recipients can send a remittances request (pull), which makes the process faster and more accurate (e.g., in an emergency).	Companies such as Thunes and Brightwell (among others) have integrated with fintech and financial institutions to enable P2P payments and request remittances.
4. Paying bills directly In other cases, remittances can be used directly for specific purposes, such as utility bills, education, making credit installment payments, etc. This helps both senders and recipients to have certainty about the use of the money.	Bill payment services are growing at traditional MTOs, mainly through partnerships with local billers or cross-border technology providers.
5. Blockchain technology fuels new remittances business cases Blockchain technology proposes to eliminate intermediaries, which can add cost and delay to cross-border transactions. Blockchain-based companies—such as Ripple, Stellar, and Circle—bring speed and visibility to international money movement in all verticals, including remittances.	MoneyGram and Stellar have unveiled non-custodial wallets to bridge the worlds of crypto and fiat currency with USDC. SBI Remit is using Ripple's XRP as a bridge currency to allow fast and cost-effective remittances.
6. Domestic real-time payments (RTP) schemes are going global These schemes are being linked internationally to enable instant cross-border payments. Ranging from UPI, which has cross-border connectivity with Singapore and France, to Brazil's Pix, which is building regional interoperability, this trend is pushing central banks and participating private entities to innovate through instant A2A payments.	The RTP schemes of UPI and PayNow allow for quicker and cheaper cross-border remittances options between India and Singapore. Africa's first regional RTP, GIMAC Pay, is available in seven economies.

DIGITAL REMITTANCES TREND	GLOBAL EXAMPLES
7. Central Bank Digital Currencies (CBDCs) may help move money Governments all around the world are designing their own CBDCs. More than 130 initiatives exist today worldwide. Several of these projects feature cross-border wholesale CBDCs, which have the potential to transform international money movement for all industry actors.	ripple Ripple is in talks with "over a dozen governments" for CBDC development, many of them for cross-border payments. THE DIGITAL DOLLAR PROJECT / Western Union / BDO Unibank The Digital Dollar Project and Western Union have partnered to pilot an exploration of how a CBDC could improve cross-border remittances in the U.S.-Philippines corridor to customers of BDO Unibank. The "Digital Rupee" in India is still in the pilot phase, but also aims for cross-border trade with partner countries.
8. Partnerships with retailers are becoming increasingly important While the traditional agent-network model is being transformed through digital revolution, the customer still depends on cash. Because of this, retailers are leveraging their outreach and improving their digital strategies through their networks with strategic partnerships.	Walmart / ria Money Transfer Walmart2Walmart, powered by Ria, is a person-to-person payment transfer service that is available through Walmart, one of the world's largest retail chains. It sends money to 150+ countries.

Source: PCMI analysis

These eight trends speak to the emergence of a completely new reality in global remittances, in which strategic partnerships are essential and the consumer is in control by having their choice of endpoint, their choice of payment rail, and unprecedented choice in terms of user experience.

Ten years ago, remitters had few options when it came to sending money home—few providers, few payment methods, and little to no choice over their user experience. These eight trends speak to the emergence of a completely new reality in global remittances, in which strategic partnerships are essential and the consumer has more choices than ever: this includes their choice of endpoint (bank account, card, digital wallet, cash), their choice of payment rail (cash, debit/credit card, ACH, wallet rails, crypto), and unprecedented choice in terms of user experience, including instant digital card issuance, direct payment to bills and purchases, request to receive, and other innovations. Thanks to digital technology, remittances have evolved with users at the center, improving choice, access, security, speed, transparency, and cost. The embrace of new technologies, multi-rail payments, and diverse partnerships—made by MTOs, banks, fintechs, and retailers—have made this possible.

How are these global trends playing out in Latin America? We will take a deep dive into this in the next section.

Diving into Latin America: Trends and opportunities

A US$155 billion opportunity

Latin America is an evolving digitalization story. Just a few years ago, Latin America was far behind the global average in terms of financial inclusion (with 55% of the population owning a financial account compared to 68% globally in 2017)[15] but the region experienced the fastest digital catch-up of all world regions during the pandemic years. As Mastercard's 2023 financial inclusion study on Latin America revealed, currently 79% of Latin Americans have access to a financial account and/or debit card, and 88% of this group use a mobile phone to make payments.[16]

At the same time, the region still must combat problems such as entrenched financial exclusion, poverty, and social and political instability. Countries like Mexico, Guatemala, Honduras, El Salvador, Peru, Paraguay, and Bolivia are lagging in financial inclusion indicators (<60% financial account access), as more than 91 million Latin Americans still don't have digital accounts and another 200 million are in the early stages of financial inclusion.

The United Nations Economic Commission for Latin America and the Caribbean (ECLAC) estimates that around a third of the region's population is living in poverty. And there are large discrepancies across the region, such as 59% of the households in Honduras living in poverty compared to just 10% in Uruguay.[17] In 2020, over 25 million Latin Americans emigrated north to the U.S., a number estimated to have increased in subsequent years due to favorable American immigration policy.[18] [19]

In 2022, formal remittances volume to Latin America totaled US$146 billion, more than double the amount from a decade ago, and a 25X growth over the past 30 years.

These circumstances help explain the trends we see in the Latin American remittances industry. While this industry routinely makes headlines on the global stage, LatAm remittances, like other payments sectors, has been slower to digitalize than the rest of the world.

In 2022, formal remittances volume to Latin America totaled US$146 billion, more than double the amount from a decade ago, which amounts to a 25X growth over the past 30 years.

It is important to note that, as we mentioned before, the informal market is very relevant. Approximately 50% more of inbound remittances flows may be transacted through informal channels, according to the World Bank. And according to data from the Inter-American Dialogue, outbound flows from Latin America and the Caribbean using formal/licensed methods and/or following regulatory money transfer compliance may be no more than 5% of the market.[20]

Mexico leads the region in remittances. In 2023 it received an estimated US$65 billion. While smaller in volume, the markets of Honduras, El Salvador, and Guatemala rank highly on a global scale in terms of the contribution of remittances to their respective national GDPs—more than 20% for all three.

Overall, remittances in Latin America have grown faster than those at the global level (10% annually since 2014 compared to 4% globally). However, digital remittances have grown just slightly slower than the global pace, at 23% annually (compared to 25%). Today, digital remittances have a 43% share of the remittances market in Latin America, nearly 10 percentage points behind the digital remittances market share at a global level.

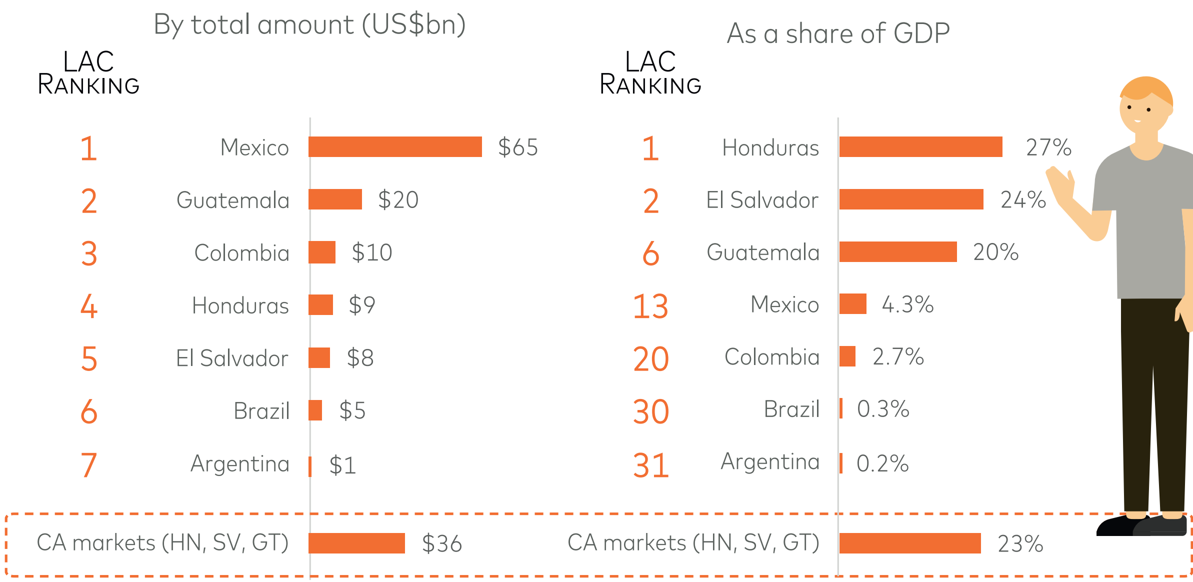
Beyond the fact that Latin America, on average, receives 43% of its remittances digitally, it should be noted that digital remittance usage varies by country. For example, countries such as Colombia, Brazil, and Chile receive a higher percentage of remittances digitally than other countries, whereas in Central America and Mexico, the percentage of digital remittances received is lower: between 20% and 30% of remittances in these countries are received digitally.

FIGURE 4

Top recipients of remittances in selected LAC countries, 2023(e)

US$155 bn
inbound remittances received annually

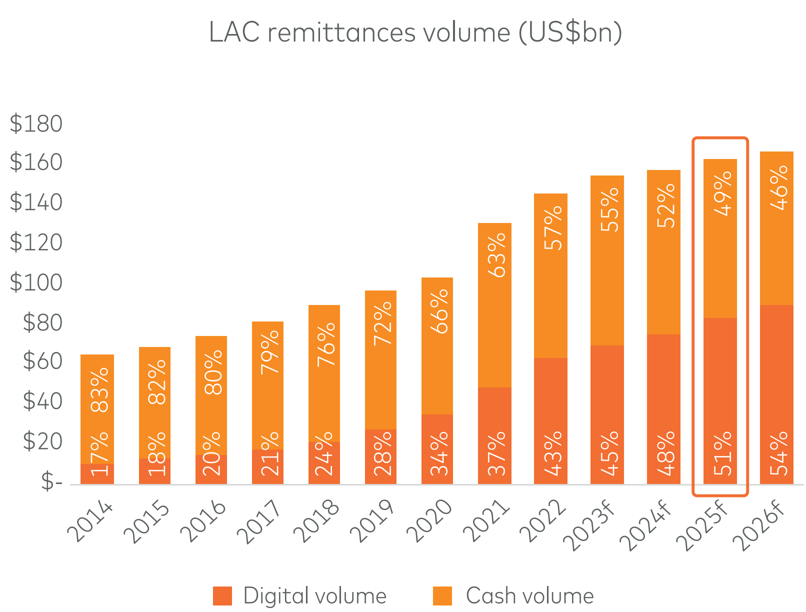
2.6%
inbound as share of GDP



Sources: PCMI estimates based on Business Insider Intelligence estimates, Juniper Research, EIU, and World Bank.
e=estimated. CA=Central American

FIGURE 5

LAC remittances received: Digital v. cash-based (past, present, and forecasted through 2026)



US$155 bn
2023 volume for LAC remittances

US$70 bn
Estimated transaction volume of LAC digital remittances in 2023

US$85 bn
Estimated transaction volume of LAC cash-based remittances in 2023

9% CAGR
Projected average growth rate for digital remittances (2022-2026)

Sources: PCMI estimates based on Business Insider Intelligence estimates, Juniper Research, EIU, and World Bank. f=forecasted

The lag in digital remittances in Latin America can be attributed to a lack of financial inclusion in top remittances markets, archaic financial infrastructures, a lack of financial literacy and trust, and a lack of innovative solutions to tackle local challenges. It also points to a massive opportunity for industry players with the right combination of technology, partnerships, and vision: US$85 billion worth of cash-based remittances that could be converted to digital—and also improve financial inclusion and the remittance experience for end users.

Latin America's remittances innovation

Digital innovation in Latin American remittances is already underway. Several MTOs, banks, fintechs, tech companies, and retailers are transforming the sector in the region.

To be clear, digital innovation in Latin American remittances is already underway. Several MTOs, banks, fintechs, tech companies, and retailers are transforming the sector in the region. Markets such as Honduras, El Salvador, and Guatemala are of particular interest: in Honduras, remittances recipients represent close to half of all households.[21] [22] In El Salvador, 2 out of every 10 Salvadoran families who receive remittances are in a state of poverty.[23] And in Guatemala, at least one in three recipient households consider remittances as their main source of income.[24] For these reasons, this region is the focus of the fintech company PaySend, which is enabling unbanked recipients to receive digital remittances via a virtual Mastercard card, issued instantly, without the need for a bank account.

Mexico is the grand prize in the remittances industry, with 11 million Mexican migrants living in the U.S. The U.S.-Mexico corridor is highly competitive, with MTOs, banks, and fintechs fighting over this space, and as a result it is a success story in terms of cost, being one of the cheapest corridors in the world. But there is still progress needed on the digital and user experience side, with 51% of Mexicans lacking a bank account.[25] To this end, Mercado Pago joined forces with Félix Pago to allow the sending of remittances from the U.S. to Mexico via WhatsApp, using a generative AI-powered chatbot. However, other key players in the Mexican remittances market have also expanded their financial ecosystems. Examples include Walmart's acquisition of Trafalgar, a Mexican fintech, in order to expand its payments, credit, and remittances business; Wise's announcement that it will apply for a fintech license; and the enablement of cross-border bill payment and cash-in, cash-out services for billers, retailers, fintechs, and traditional financial institutions in the U.S. and Mexico via Arcus (see Table 2 on page 20).

In other markets, where volumes are lower, remittances are growing for specific reasons. In Colombia, a US$10 billion market, remittances reach 40% of the population, bolstered in recent years by a weak local currency. In Argentina, remittances barely total US$1.3 billion, but its macroeconomic crisis and deteriorating currency are accelerating remittances from both the U.S. and Europe.[26] Even Brazil, with its US$5 billion remittances market, in 2022 received the largest amount of money via remittances that it's gotten in the past 30 years.

The same trends shaping remittances globally are taking shape in Latin America, with the notable strength of local digital wallets, domestic real-time payment schemes, the involvement of retailers, and blockchain technology.

TABLE 2

Examples of digital remittances trends in Latin America

TREND	LATIN AMERICA EXAMPLES
1. Digital wallets are powering global money movement "Remittances have enormous potential for democratizing finance and increasing financial inclusion. The problem is that several receivers are still not financially included. This is where the Mercado Pago wallet can help, as we open millions of digital accounts and issue millions of cards in the region. And now, we are promoting remittances from the United States to Mexico with the most relevant partners across the region." **Paola Mercado** Digital Accounts and Cards Supervisor at Mercado Pago	The Wise platform announced that it will diversify its product offering beyond remittances in Mexico and aims to apply for a fintech license, which will allow it to complete its digital ecosystem with cards and a full digital wallet.
	Global66 (with operations in Chile, Colombia, Peru, Mexico, Argentina, Ecuador, and the United States) and Mastercard have joined forces to launch a card designed for international purchases.
	Mercado Pago and Félix Pago have joined forces to allow the sending of remittances from the U.S. to Mexico through WhatsApp.
	TerraPay has strengthened remittances in Colombia with MOVii, allowing its users to receive money from 200+ countries.
	Punto Pago in Panama now allows people to send remittances to Colombia, the Dominican Republic, and Nicaragua, in addition to issuing a Mastercard card.

TREND	LATIN AMERICA EXAMPLES
2. Push-to-card: Card rails are powering wallets "The digital wallet revolution opens up new remittances business models while providing users with convenience and security. We provide virtual cards and near real-time remittances within card rails." **Jairo Riveros** Managing Director of The Americas and Global Head of Strategy at Paysend "Through our partnership with Namutek, we are providing push-to-card remittances, which gives us enormous benefits." **Jaime Compte** Chief Personal Banking & Payments Solutions Officer at BAC Credomatic	Major MTOs already offer a "push-to-card" solution. Paysend and Mastercard will allow unbanked users in Guatemala, Honduras, and El Salvador to receive remittances from the U.S. to a Mastercard digital card. Namutek's fintech company, called Kash, now enables push-to-card remittances between individuals in Guatemala, Honduras, El Salvador, Costa Rica, and Panama.
3. Enabling request remittances and international bill payments "Significant players are integrating with request remittances and bill pay solutions to fulfill a new and increasing client demand." **Christopher Luna** CEO of Arcus	Companies such as Remitee, Félix Pago, Palla, and Leap Financial (among others) have integrated with fintech and financial institutions to enable P2P payments and request remittances.
4. Paying bills internationally "Remittances for bill payments provide enormous opportunities for banks and other parties to monetize what was previously a cash-out while providing value to clients." **Rasika Raina** Global Senior Vice President, Transfer Solutions, at Mastercard	Bill payment services are growing at traditional MTOs, mainly through partnerships with local billers or cross-border technology providers. Arcus is helping enable XB bill pay and cash-in, cash-out services for some of the biggest billers, retailers, fintechs, and traditional financial institutions in the U.S. and Mexico, with expansion into Latin America.

TREND	LATIN AMERICA EXAMPLES
5. Blockchain technology fuels new remittances business cases "For us, it is a way to provide more options to clients, particularly in an inflationary world. We use USDC with Stellar, but they can convert it to cash if they want." **Luther Maday** MoneyGram Head of Fintech Strategy and Innovation "New rails bring great opportunities. We use crypto stablecoin USDC to speed up cross-border settlement at very competitive costs, creating a seamless experience for the user." **Manuel Godoy** CEO & Founder at Félix Pago	bridge21 Bitso Bridge21 and Bitso allow customers to send bulk or one-time payments from the U.S. to Mexico. Recently, Bitso expanded its services to Argentina, Brazil, and Colombia. MERCADO BITCOIN BINANCE Brazilian crypto exchange Mercado Bitcoin launched operations in Mexico, the main remittances market of Latin America. Binance launched its "Crypto Remittances" solution to transfer crypto to send money to bank accounts in 9 countries in the region. belo Belo, a crypto wallet that offers a Mastercard prepaid card, can now send money in local currency to the U.S., Mexico, Brazil, Colombia, and China, both to its own accounts and to third-party accounts.
6. Domestic real-time payments (RTP) schemes are going global "With new technologies, consumer mindset has shifted to expect immediacy. This is now a reality where RTP is available. As a result, the industry is under increased pressure to offer instant payments, including global cross-border payments." **Neela Gaddis** VP of Product Management at Mastercard	SPEI pix powered by Banco Central yape Different RTPs are growing in Latin America. Some are private like Yape or Modo; others are promoted by the public sector, such as SPEI in Mexico, Pix in Brazil, and Transferencias 3.0 in Argentina. Pix* already allows users to send and receive money through major companies such as Western Union, Remitly, Remessa Online, and Arcus in the case of SPEI in Mexico. * Pix was launched in 2020 and has an 81% adoption rate among consumers and US$2.1 trillion in transactions volume in 2022 (source: Central Bank of Brazil and IBGE).
7. Central Bank Digital Currencies (CBDCs) may help move money "CBDCs are still in the early stages, but they highlight how international money flows are shifting to multi-rail solutions." **Rasika Raina** Global Senior Vice President, Transfer Solutions, at Mastercard	DCash The Caribbean is also the site of the most advanced CBDC projects worldwide, ranging from dCash in the Eastern Caribbean to the Sand Dollar in The Bahamas. DREX Also in Brazil, Itaú, one of the largest banks in Brazil, has proposed the use of its CBDC, DREX, to facilitate cross-border transfers between Brazil and Colombia in a pilot test.

TREND	LATIN AMERICA EXAMPLES
8. Partnerships with retailers are becoming increasingly important "The retailer is the one who has the relationship with the user and, as a consequence, is responsible for (and controls) the final user experience. The opportunity is to transform cash-out remittances into consumption quickly, offering a one-stop shop alternative." **Mario Fernández Olavarrieta** Squad Leader Remesas at Walmart "Increasing cash network coverage is still crucial. It enables users to do partial cash-outs and helps them to keep their balance in their wallets and not withdraw everything at once." **Christopher Luna** CEO of Arcus	Walmart is a key player in remittances. The retailer recently confirmed its acquisition of Trafalgar, a fintech based in Mexico, as it seeks to expand its payments, credit, and remittances business. In Chile, Western Union announced a partnership with Cencosud* to send remittances abroad through Jumbo and Santa Isabel Supermarkets, as well as a different partnership with 7-Eleven in Mexico; the latter partnership will allow customers to send and receive remittances from over 1,800 7-Eleven stores. * Cencosud also launched CencoPay to add fintech services to its operations in different markets such as Chile and Argentina. Learn more here and here.

Source: PCMI, own analysis.

These trends are pushing the digital agenda in Latin America, generating an incremental US$20 billion in digital remittances by 2026, as well as a projected total market volume of US$90 billion in that same year. In fact, according to projections, 2023 should end up marking a turning point in which cash remittances are expected to reach their historical peak, declining in favor of digital options from 2024 onward. This means better, cheaper, faster, and more inclusive remittances for users—and an increasing opportunity to add value and innovate for ecosystem players.

These trends are pushing the digital agenda in Latin America, generating an incremental US$20 billion in digital remittances by 2026, as well as a projected total market volume of US$90 billion in that same year.

And yet despite this optimism, challenges in the industry still abound, including fragmentation, lack of interoperability, high cost of intermediaries and compliance, as well as difficulty reaching underserved populations. In the next section, we will dive into the persisting pain points and discuss solutions to help bring remittances into full digital maturity.

What is needed to supercharge the remittances industry?

New rails and players along with old issues: Addressing the industry's pain points

While remittances continue to grow, the industry still suffers from multiple challenges. Many of them have been present for decades and have been made even more complex by new technologies, competitors, and other factors. After conducting interviews with global remittances experts around the world, PCMI has documented the key challenges for remittances industry stakeholders and provides insight into future solutions.

FIGURE 6

Summary of historical challenges faced by remittances value chain players

INSTITUTION TYPE	HISTORICAL CHALLENGES
Banks	Legacy banking systems, lack of openness, and intense regulatory scrutiny have made it difficult for banks to make remittances more transparent and quicker. Dependence on corresponding banking systems and a global trend of de-risking results in high costs and long wait times, especially in niche corridors and for obscure currencies.
MTOs	Enormous non-bank remittances companies with millions of agents worldwide are historical leaders in this industry. Their brick-and-mortar agent networks come at a high cost, which is typically covered by charging customers more than digital competitors.
Telcos & Retailers	In the past, telcos and retailers have collaborated using a model akin to that of MTOs. However, as users become more digitally savvy, these players don't have the expertise to deliver the digital experience offered by native digital companies and risk losing market share.
Digital-only MTOs	Without a physical retail presence, digital-only MTOs offer speed, lower costs, and a better UX than traditional competitors. They suffer, however, from low brand awareness and low trust levels from remitters, who tend to have more traditional habits.
Crypto Players	Trust and regulatory risk are still realities in this space, while technology adoption and catch-up of both consumers and potential partners are still improving.
Enablers & New Channels	Providers of international payment infrastructure offer a single and simple connection to route remittances. Their challenges are related to access to partnerships, differentiation, and providing the most and best solutions in one suite.

Traditional pain points persist

In many cases, remittances are still slow and expensive. The primary obstacle to customers transacting more frequently, according to Mastercard's *Borderless Payment 2023* global report, is high costs and hidden fees.[27]

The problems of cost, security, speed, and certainty persist, thanks to inefficiencies stemming from intermediaries. "Moving money is still expensive. Depending on the transaction amount, payment method and transfer destination, remittances still involve multiple intermediaries, including correspondent banks or other service providers," explains Rasika Raina, Global Senior Vice President, Transfer Solutions, at Mastercard. Paola Mercado, Digital Accounts and Card Supervisor at Mercado Pago, agrees: "There are many players in the entire flow. With so many players, it is a costly flow."

Dealing with regulation is perhaps one of the most acute pain points the industry faces, with a lack of legal, regulatory, and operational consistency across global jurisdictions.

In a single transaction, money could flow from a digital wallet to a bank, to one or multiple correspondent banks, to another digital wallet or retailer, and ultimately to cash picked up by the receiver. Each institution and jurisdiction the money passes through adds a layer of cost, compliance requirements, and time. Remittances relying on traditional banks can be processed only within official banking hours, while differing time zones, weekends, and holidays can create significant delays.

Speeding up remittances requires identifying the shortest route from the sender to the receiver. In an ideal world, a single remittances provider would own the flow from end to end—this fully eliminates intermediaries and is possible in high-volume corridors like U.S.-Mexico. However, achieving this in corridors like Portugal to Guatemala or Canada to El Salvador may be more complex.

It is impossible for providers to build infrastructure in every country, establish access to every global currency, integrate with every local payment method, or connect to every local bank. The solution, therefore, lies in creating a network of endpoints, payment rails, and payment methods within which the optimal (most direct) combination can be achieved. This is created through the intelligent weaving of partnerships between diverse players, all with their own strengths and value adds. "Partnerships are essential to offering more options to customers, who are increasingly demanding more alternatives," observes Mario Fernández Olavarrieta, Squad Leader Remesas at Walmart.

Dealing with regulation is perhaps one of the most acute pain points the industry faces, given the lack of legal, regulatory, and operational consistency across global jurisdictions. The need to adapt to destination country systems and regulations is expensive, especially those considered risky or which are under U.S. or U.N. sanctions programs, including Venezuela, Cuba, Nicaragua, Ukraine, Russia, Iran, and Sudan, among many others.

Even in less problematic countries, regulation can be a major cause for delay in the delivery of remittances.

Despite these bottlenecks, some remittance transactions do take place in near real time, and this trend is applying pressure on providers all around the world. Real-time transactions introduce complexity, including risk, liability, and transaction underwriting. As Neela Gaddis—VP of Product Management at Mastercard—comments and other interviewees confirm: "In most circumstances, the simplest way to deliver near real-time payments requires some player to assume some risk and cost." Manuel Godoy, Founder and CEO of Félix Pago, provides an example: "ACH remittances from the United States to Mexico may take up to two days. In those circumstances, we provide the money up front with a borrowing cost to achieve near real-time experience."

Ubiquitous real-time remittances will depend on fluid partnerships with clear risk profiles and predictable outcomes. "Partnerships with fintechs are essential because they give us speed," says Jaime Compte, Chief Personal Banking & Payments Solutions Officer at BAC Credomatic. Similarly, Fernández Olavarrieta points out that the "final customer is not very much interested in the rail (how the money is transferred); they are interested in getting the most out of their money, in immediacy and security. The rails are invisible to most users."

"Global prices are falling. Future competition will be based on volume and client acquisition—that is a fact. Innovation is more needed than ever."
Christopher Luna
CEO of Arcus

The remittances industry finds itself in an aggressive race to the bottom on price. Prices are still high in many parts of the world (the average cost of sending money to Africa is 8%), but there are regulatory, market, and moral pressures to bring both fees and FX costs down. Since most remittances providers' revenue comes directly from these fees, this places them in an existential conundrum. "Global prices are falling. Future competition will be based on volume and client acquisition—that is a fact. Innovation is more needed than ever," says Christopher Luna, CEO of Arcus.

In fact, as Lionel Carrasco—founder and President of LeapFinancial—points out: "While remittance fees are in a race to zero cost to the consumer, the request remittances model creates value by increasing the account's average daily balance-receiving sides while lowering the cost of remittances and embedding innovative delivery tools that include a Chat GPT-like conversational and payments infrastructure with a zero-friction experience through apps or simply via WhatsApp."

Indeed, remittances providers will be forced to innovate in new ways, while simultaneously facing increasing customer acquisition costs due to growing competition. Here, user experience innovation is essential, and providers must ask themselves, "How can I bring more value to my customers?" Loyalty programs, credit for remittances, send requests, and cross-border bill pay are just some of the ways digital players are reinventing remittances. Multi-currency digital wallets, an international debit card, access to shopping, and other pay use cases are additional ways we see providers competing. Leveraging their technology to eventually shift into B2B cross-border payments is another potential avenue for providers developing a future-focused vision. AI provides huge potential to improve remittances worldwide by helping companies improve user experience, automate tasks, project demand for currencies to guarantee liquidity, detect fraud, and minimize failed transactions. "With AI we created an innovative user experience through our chatbot on WhatsApp," says Godoy. In the same vein, the blockchain and crypto revolution brings speed and new opportunities for firms. "We can move money more quickly with new channels like USDC, which ultimately translates into additional liquidity for our day-to-day global operations," notes Luther Maday, Head of Fintech Strategy and Innovation for MoneyGram.

Finally, transparency continues to be a challenge, while consumer expectations are rapidly increasing. In many cases, when sending money, senders still don't get clarity around the fee, FX spread, and final amount the recipient will receive. Issues along the remittances delivery chain cause frequent and unexplained delays. With increasing transparency available to consumers in other digital experiences, these realities are no longer acceptable. "Customers expect instant results and transparency. If I can track an online pizza order with full certainty and transparency along every step of the way, I certainly expect that of my financial transactions," observes Gaddis.

There are other "soft" variables in play that are related to demand-side challenges, such as unresolved financial exclusion, distrust, lack of loyalty, and low added value. All of them prevent the payments industry from reaching its full potential.

Soft pain points in remittances

Beyond these traditional woes, there are other "soft" variables in play that are related to demand-side challenges, such as unresolved financial exclusion, distrust, lack of loyalty, and low added value. All of them prevent the payments industry from reaching its full potential.

In addition, a financial exclusion gap still exists: "A remaining challenge resides in the widespread adoption of digital platforms within the unbanked population, whether as senders or recipients of remittances," says Sergio Saravia, CEO of Remitee. Underserved or unbanked communities have traditionally depended on offline methods, such as carrying cash across borders through agents. According to the Mastercard

Borderless Payment 2023 global report, more than one-third of those surveyed said their families back home have limited options to access the money they send. Nearly one in four agree their families must travel a long way to access their funds. This reveals financial and digital exclusion and underdeveloped financial and digital infrastructure (lack of 4G coverage, low smartphone penetration, and the absence of banks or remittance retail agents). This is especially acute in rural areas, where 50% of global remittances are sent, according to FXC Intelligence.

Here, telcos and retailers have a major role to play, since they have greater coverage than the banks and MTOs combined. A vast 91% of the global population owns a cell phone,[28] and around the world, even small towns are more likely to have a telco branch or agent far earlier than than a bank or other financial service provider. Retailers like Walmart also play a major role in serving low-income consumers and can serve as disbursement networks. "We are the client's final remittances face, and we are responsible for the last-mile user experience," says Fernández Olavarrieta. These players can help the remittances industry close the remaining digital gap by providing access to last-mile consumers.

The industry can look to the success of Safaricom in Kenya to understand how powerful telcos can be in this respect.

Part of this effort relies on marketing and communications, as well as providing the correct incentives. "The industry should make it easier in terms of communication and create incentives for digital migration," recommends Mercado. "We need to show and guide the client to use the most efficient remittances method—show them that they don't have to see the physical money to know that they have it," says Jairo Riveros, Managing Director for the Americas and Global Head of Strategy at Paysend. For his part, Jaime Compte—Chief Personal Banking & Payments Solutions Officer at BAC Credomatic—agrees that "financial education is critical; we must show the client that we are more competitive and convenient than any informal method."

To reach this last mile, specific, tailored features are required. Instantly issued virtual cards can provide a place for digital remittances to land for receivers without a bank account. Generative AI can be leveraged to create human-like customer service via chat. Open banking can be leveraged to access more information on citizens without much digital history, to deliver relevant products, services and marketing, to simplify onboarding, and to issue financial products.

Additionally, the current digitization efforts are limited to the remittance transaction itself. In order to digitize fully and reduce costs more broadly, the digital money ecosystems in the recipient countries must be fostered. It's not enough that a recipient receives the money in an account, a card, or a wallet if they can't make digital payments when they spend that money.

This all sounds ideal, but we know that many remittances are still sent through informal and more expensive channels due to a lack of trust in formal ones. Trust is key, as Marcelo Theodoro, Chief Product, Digital & Marketing Officer at Intermex, says: "Even though the retailer is physically closer to the customer and [interacts with the client], at the end of the day, the MTO is the institution that provides confidence and trust, as well as customer care." To provide trust, partnerships play an essential role. "We recognize that remittances are a lifeline for our clients and their families. In that sense, partnerships are critical because no one can do everything, and if you try to, you will fail, damaging the customer relationship. Partnerships help us to be excellent and deliver an excellent experience. In this way, they enable us to develop trust," says Mercado.

That explains why, for most remittances players, it's not about doing everything by themselves, but about developing the right partnerships. As Dick Paul, Business Sponsor Integration & Synergies at Mastercard, observes: "The holy grail is to discover a mechanism to enable the entire ecosystem." The same point is highlighted by Gaddis: "No single entity can meet all the needs of the users. That is not possible. Partners are required to provide a good user experience." To that end, Maday points out that his company "added blockchain and USDC because when there are more options and choices, the consumer always wins."

Putting the pieces together

Taking advantage of global digital trends with Mastercard solutions

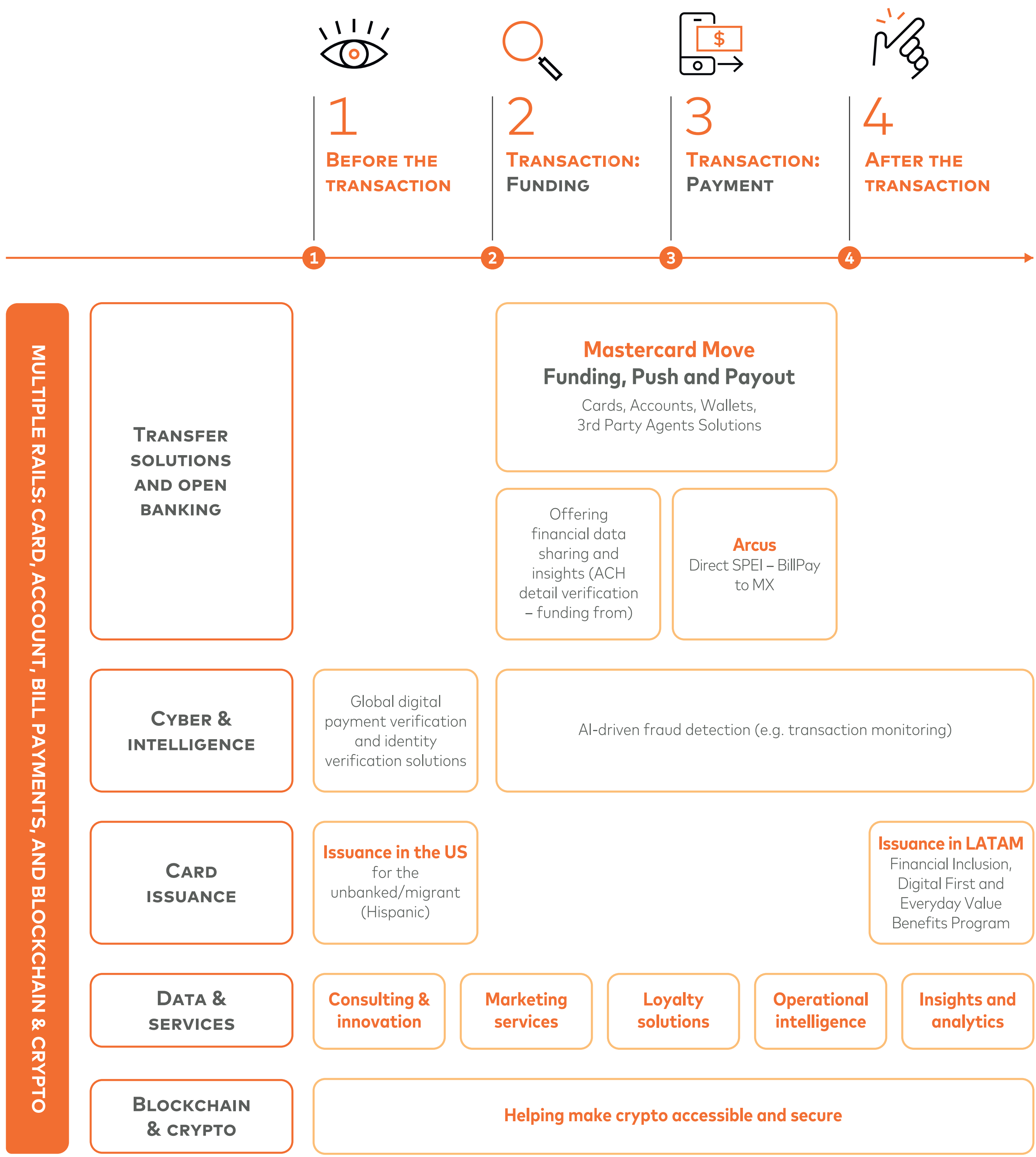
As we have seen, the remittances industry looks wildly different than it did 10 (or even 5) years ago, with a web of interoperable payment rails, endpoints, and agent networks connected via strategic partnerships, the use of emerging technologies like generative AI and blockchain, and the evolving remittances user experience. In an increasingly saturated environment, industry players must double down on what they are good at and look outward to partners to complement and grow.

In this sense, as shown in Figure 7 on page 32, Mastercard is helping to revolutionize remittances in Latin America and globally by offering multi-rail solutions that encompass cards, accounts, RTPs, wallets, and blockchain, while also brokering the needed partnerships with stakeholders across the industry. Leveraging Mastercard's unique assets/product offerings will help address the pain points referenced throughout this report and accelerate the shift to digital.

Mastercard is helping to revolutionize remittances in Latin America and globally by offering multi-rail solutions that encompass cards, accounts, RTPs, wallets, and blockchain, while also brokering the needed partnerships with stakeholders across the industry.

FIGURE 7

Revolutionizing remittances in Latin America



Source: Mastercard

Through this value proposition, Mastercard is helping its partners to innovate across the eight foundational trends identified in this paper, including the following:

- **Safety, Security, and Trust:** Mastercard offers Ekata[29] and global digital payment verification and identity verification solutions that will allow customers to create frictionless payments and instant money transfer experiences by overhauling their anti-fraud platforms and ensuring revenue growth. Mastercard's identity verification automation solutions are easy to integrate across the entire payments ecosystem.

- **Mastercard Move:** Mastercard Move enables money to move quickly and safely, both domestically and internationally, reaching over 10 billion endpoints representing more than 95% of the world's banked population. Our services span more than 180 countries and 150+ currencies, covering bank account, digital wallet, card and cash endpoints, including over 2.4 billion Mastercard cards and over 300,000 cash-out locations.
  This solution is powering the next generation of payments between people and businesses, whether money is moving domestically or across borders, by delivering the ability to pay and get paid with choice, transparency and flexibility.
  For customers, including banks, digital partners and non-bank financial institutions, who need a secure, fast and flexible way for end users to send and receive money worldwide, Mastercard Move[30] is a portfolio of money movement solutions that can reach cards, accounts, e-wallets and cash-out locations globally.

- **Bill Payments:** Mastercard Bill Pay[31] and Arcus[32] (a Mexican fintech acquired by Mastercard) are enhancing the delivery of cross-border bill-pay solutions and other real-time payment applications across Latin America and Mexico.

- **Crypto & Blockchain:** Mastercard's crypto and blockchain services[33] and its worldwide network are helping make crypto accessible and secure for billions of consumers—as well as for businesses and governments.

- **Central Bank Digital Currencies:** The Mastercard CBDC Consulting, Sandbox, and the Partner Program[34] are helping governments and payment ecosystems test and evaluate a range of CBDC use cases in a controlled environment. Mastercard CBDC card solutions enable end users to spend their CBDCs easily at any of Mastercard's 100 million+ merchants globally.

- **Data, professional services, and solutions:** The mission of Mastercard Data & Services[35] is to drive smarter decisions with better outcomes—and they encompass Mastercard's offerings beyond the transaction. The capabilities of this professional services and solutions arm include engagement solutions, business experimentation, intelligence solutions, location spend insights, and cyber solutions. Its services include consulting services, innovation services, and marketing services program management. The resources offered by Mastercard Data & Services include the Mastercard Economics Institute, market trends, events, webinars and reports.

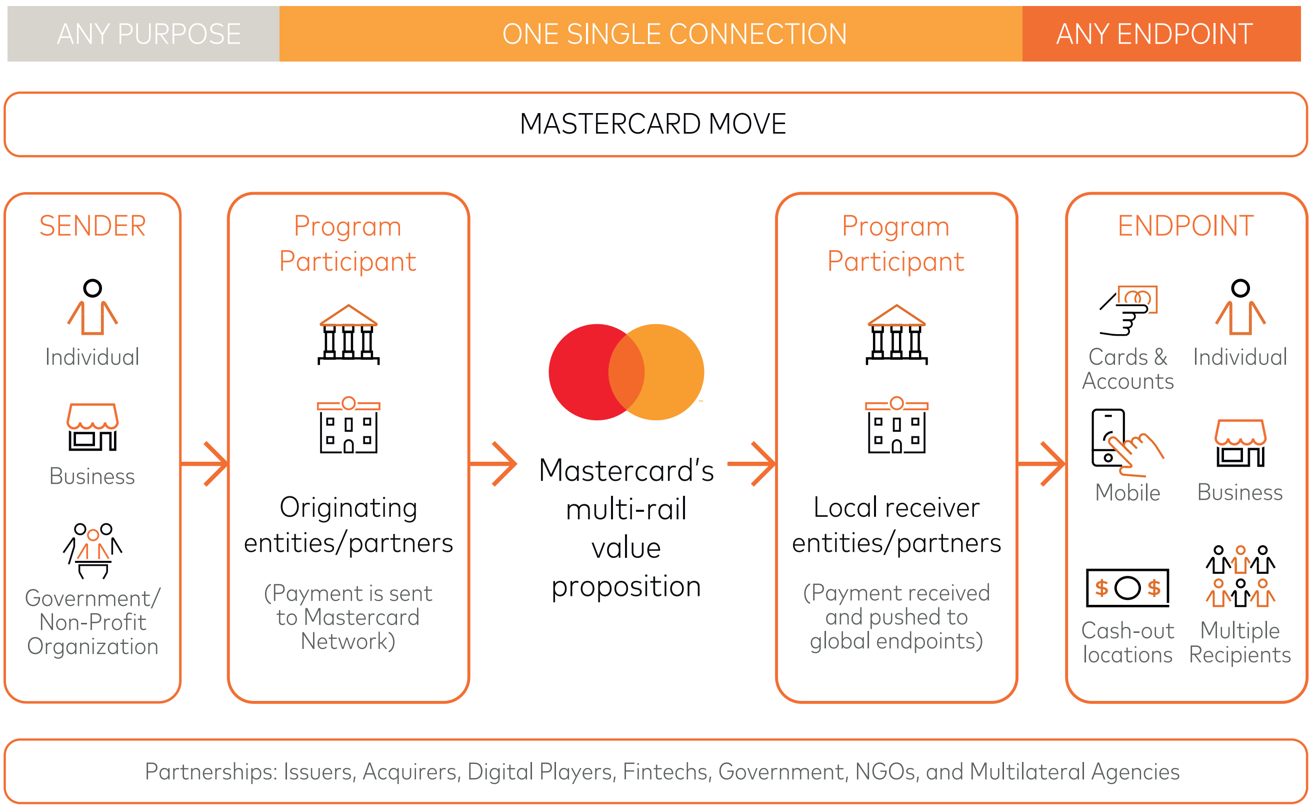
- **Partnerships:** Mastercard is accepted by millions of retailers in over 210 countries and territories. In this way, Mastercard's solutions help them in catching up digitally and opening the door to strategic partnerships with the rest of the industry players.

Partnerships with the public sector are also critical to success in this arena, since last-mile populations often interact with governments even more than with the private sector, particularly in the areas of social benefits, education, and healthcare. Governments have a vested interest in digital remittances and financial inclusion, since they help increase a country's tax base, reduce illicit transactions, and contribute to economic growth. Governments in many countries are currently offering tax credits, but especially so in emerging economies such as El Salvador, Mexico, Nigeria, Nepal, and Pakistan. In others, such as India, governments offer RBI financial education about remittances via media outlets and ensure that this is provided in local dialects. Mastercard for Government acts as a partner and problem-solver through different initiatives worldwide.

Additionally, with the goal of making significant progress toward an inclusive society, Mastercard has partnered with global institutions—such as the Aspen Partnership for an Inclusive Economy (APIE), the Inter-American Development Bank (IADB) and CAF, the Development Bank of Latin America—to bring more of the region's people into the digital economy.

FIGURE 8

Mastercard enables multiple payment types to a variety of delivery channels via a single connection and opens the door to strategic partnerships



Final thoughts

Being prepared for the future of remittances

As we have seen throughout this report, remittances are continually evolving because of digitalization. New players and rails for moving money throughout the world have emerged, providing innovative solutions and opportunities to handle old challenges while evolving to meet new consumer demands.

And more disruption is on the way: in the medium term, governments will not only serve as payment system regulators, but will also direct competitors that provide low-cost payment rails to their citizens. This will lay the groundwork for the broad use of RTP schemes and CBDCs. Over the long term, multiple rails for global money movement will become the new normal.

However, despite the emergence of new actors and infrastructures, it is likely that new and old will coexist. The remittances industry is racing to capture as much volume of this expanding market as it can, and its players are looking for new ways to add value to their propositions.

Overall, five recommendations may help remittances firms compete in this context and achieve the necessary improvements:

- **Adapt digital solutions to a cash environment.** Remittances companies should enable receivers to use the money how they want—digitally or in cash. They should also prioritize consumer choice and simplicity by allowing funds to land in a digital account, offering a virtual card for flexible use—such as digital top-ups or cash withdrawals—at a convenient agent network. Finally, they should regard UX as an essential piece of the user journey.
- **Offer transaction transparency and safety while also eliminating concerns.** Companies should communicate pricing clearly before they execute a transaction, as well as indicate the expected timing for settlement. The remittances experience should include tracking alerts in the app, provided at no additional fee. Users need better information on the different payment methods available, especially their costs.
- **Build trust through regulatory compliance and digital innovation.** Remittance origination to and from Latin America and the Caribbean is a phenomenon due largely to migration from fragile states in the region, and informal remittances still play a key role. Fraud prevention and cybersecurity are essential. Companies should enable faster customer onboarding and reduced processing time by utilizing digitalized know your customer (KYC) procedures. Providers can leverage AI and partnerships through white label and API integration to deliver real-time experiences.
- **Provide rewards to loyal customers and financial education.** Providers should offer post-transaction points, miles, discounts, gift cards, or other benefits related to user needs. Users expect to benefit from their loyalty. As such, providers should help users and new participants of the ecosystem to build trust in remittances by providing information and education about the benefits of formal remittances.
- **Provide everyday value and clear convenience over cash.** Providers should emphasize convenience and demonstrate why digital remittances and cross-border services deliver everyday value. They should prioritize giving customers choices and options, such as cross-border bill payment or ways to build credit scores or even to access credit. This will help customers save time that would otherwise be spent traveling to a retail location or waiting in line. Providers should also emphasize clients' ability to send money from their phones to any place at any time and how their digital wallets can operate as a digital payment method, boosting all the benefits of financial inclusion and well-being.

There is no doubt that the future will be about choice for users. With several solutions available, customers demand the capability to pay and transfer money quickly by utilizing their preferred network.

In this sense, businesses of all kinds are forming alliances and partnerships in search of the holy grail of remittances: the ability to provide everything in one location. As competition grows, we expect money transfer operators will have to evolve their offerings, proposing value-added services and creating greater financial ecosystems.

Now is the time to solve longstanding pain points for end clients, such as cost, speed, difficult user experiences, and a lack of visibility across the transaction lifecycle. The industry will need to deliver real-time capabilities and multiple payment options to consumers all around the world, preferably through a single connecting experience.

Here is where Mastercard's value proposition for partners comes into play, by providing convenience, ease, accessibility, and flexible multi-rail digital services. Mastercard assists its partners in capitalizing on new opportunities by offering everyday value and boosting financial inclusion. Through its value proposition, Mastercard is helping its partners to innovate across the eight foundational trends identified in this whitepaper.

Mastercard services

Mastercard brings choice, access, and transparency to domestic and cross-border payments. We enable our customers to deliver safe, simple, and reliable payment solutions to consumers and businesses.

Our capabilities support disbursements and remittances to multiple endpoints, including bank accounts, mobile wallets, and cards, as well as cash. This creates economic empowerment for consumers, businesses, and governments globally.

To learn more, visit Mastercard Move.

About PCMI

PCMI is a market intelligence consultancy focused on the global payments industry.

PCMI's founders have a combined four decades of market intelligence experience and have completed over 400 engagements in the payments industry. PCMI performs custom engagements adapted to our clients' strategy needs, including market sizing, opportunity benchmarking, market entry, customer insights, and more.

PCMI was born in 2022 out of AMI, the leading market intelligence firm for Latin America, with over 30 years' experience providing market intelligence to leading corporations in the region. With payments and commerce transcending borders, AMI evolved into PCMI to support its clients across the globe, now with coverage of over 50 global markets. In Latin America and beyond, our mission remains: to be more committed to our clients' success than any consultancy on earth.

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Notes

1. International remittances are cross-border, person-to-person payments of relatively low value that are often recurring. The term is also used for any personal cross-border payment of an invoice, or a bill paid on behalf of a person, such as family bills, tuition fees, and medical expenditures, among others (CPSS and WB, 2007).

2. See KNOMAD/World Bank. Access here.

3. See United Nations Network on Migration. Access here.

4. The Global Knowledge Partnership on Migration and Development (KNOMAD), which is a global hub of knowledge and policy expertise on migration and development issues. Access here.

5. See Mastercard's *Borderless Payments Report 2023* survey of 7,627 consumers worldwide. Access here.

6. See World Bank "Remittances Grow 5% in 2022, Despite Global Headwinds." Access here.

7. United Nations 2030 agenda objective 10.c aims to reduce the transaction costs of migrant remittances to less than 3% and eliminate remittance corridors with costs higher than 5%. The G20 has a similar target.

8. For example, remittances from Canada to Guyana exceeded 10% in 2023Q1; those from Costa Rica to Nicaragua doubled from 3% in 2015Q4 to more than 6% in 2023Q1; and those from Brazil to Paraguay increased from 6% in 2015Q4 to about 8% in 2023Q1. The cost of sending money from the United States to Cuba remained high and increased to 21.7% in 2022Q4 from a year earlier. See World Bank "Remittances to Latin America still growing." Access here.

9. PCMI estimate based on data from the World Bank, Business Insider, and Juniper Research.

10. See "Remittances: Funds for the Folks Back Home," International Monetary Fund. Access here.

11. World Bank estimates the average cost of sending US$200 in remittances varies by provider type, with banks charging 11.8%, MTOs charging 5.4%, and mobile operators charging 4.5%. Access here.

12. Sending money across transaction accounts provides a chance to broaden access to and use of these accounts, thereby contributing to financial inclusion. This can also help improve opportunities for AML/CFT risk mitigation.

13. PCMI's own estimations based on Business Insider intelligence estimates, Juniper Research, and World Bank data.

14. See IADB Nov. 2023. *Remittances to Latin America and the Caribbean in 2023*. Access here.

15. World Bank Findex. Access here.

16. Mastercard, 2023. *The State of Financial Inclusion Post COVID-19 in Latin America and the Caribbean: New Opportunities for the Payments Ecosystem*. Access here.

17. ECLAC, 2022. *Social Panorama of Latin America and the Caribbean*.

18. The latest available estimates of the total migrant population in LAC are for 2020. United Nations, Department of Economic and Social Affairs, International Migrant Stock 2020.

19. According to the Census Bureau's Current Population Survey, as of August 2023, LAC immigrants in the U.S. numbered 23.1 million. Access here.

20. See Inter-American Dialogue, "Family Remittances from Latin America and the Caribbean," November 2023. Access here.

21. See Inter-American Dialogue, "Family Remittances 2022 in Numbers," April 2023. Access here.

22. Mastercard is part of the Partnership for Central America initiative. Aligned with U.S. Vice President Kamala Harris' Central America Forward initiative, FICCAR commits to boosting people-to-people (P2P) remittances to account transfers by at least 20 percentage points in the next five years. This collective commitment will result in digitizing US$14 billion in remittance transactions into an account first, instead of immediately being paid out in cash. "Accounts" include traditional bank savings and checking accounts, virtual bank accounts, and digital wallets.

23. See "En El Salvador ni las remesas salvan de la pobreza," *Prensa Latina*, July 2023.

24. See Banco de Guatemala – Remesas Familiares. Access here.

25. World Bank Findex, 2021.

26. BBVA research suggests that Argentina recently became a recipient country of family assistance from abroad, although it had always been in the opposite role. Remittances received have doubled in the last 3 years.

27. See Mastercard's *Borderless Payments Report 2023* survey of 7,627 consumers worldwide. Access here.

28. Ericsson & The Radicati Group. Access here.

29. Ekata access here.

30. Mastercard Move access here.

31. Mastercard Bill Pay access here.

32. Arcus by Mastercard access here.

33. Mastercard Crypto and Blockchain here.

34. CBDCs access here.

35. Mastercard Data & Services access here.